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28 SEP 1984

MEMORANDUM FOR: (See Distribution List)

FROM:

Chief, Strategic Resources Division
Office of Global Issues

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SUBJECT:

Eastern Europe's 1984 Grain Crop

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1. The attached memorandum assesses current grain production prospects in Eastern Europe, the grain trade outlook, and resulting implications for food supplies.

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2. This assessment was produced by
Agricultural Assessments Branch, Strategic Resources Division,
Office of Global Issues.

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3. Comments and questions are welcome and may be addressed to the Chief, Agricultural Assessments Branch,

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Attachment:

Eastern Europe: Record 1984 Grain Production
GI M 84-10167, 28 September 1984

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SUBJECT: Eastern Europe's 1984 Grain Crop [REDACTED]

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OGI/SRD/AAB/[REDACTED] (28 September 1984)

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Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

28 September 1984

Eastern Europe: Record 1984 Grain Production

Summary

We estimate that Eastern Europe will harvest a record grain crop in 1984 of at least 104 million metric tons, the third consecutive good harvest. Analysis of weather data and satellite imagery confirms press [] reports of favorable growing and harvesting conditions in most countries. Although this year's output will not meet the 117 million tons planned by the individual countries, we expect Poland, East Germany, and Yugoslavia to harvest record crops. Czechoslovakia and Hungary have above-average prospects, while adverse weather in Bulgaria and Romania has cut expected output to average and below-average levels respectively. []

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We believe that the good grain harvest this year and the regimes' continuing concern about debts will keep Eastern Europe's grain imports low--from 7.1 to 8.5 million tons in marketing year 1984/85, with the bulk going to the northern countries--Czechoslovakia, Poland, and East Germany. Grain exports, needed to boost hard currency earnings, are expected to increase slightly, ranging from 5.0 to 5.6 million tons, primarily from the southern countries--Romania, Bulgaria, Hungary, and Yugoslavia. In our view, the record crop this year and competition from other grain suppliers will continue to limit US grain exports to Eastern Europe. With the regimes keeping grain imports depressed and pushing grain exports, the East European consumer has little hope for significant improvements in food supplies. Poland and Romania will again experience worse food problems than the other countries, especially in regard to meat supplies. []

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This memorandum was prepared by [] Agricultural Assessments Branch, Strategic Resources Division, Office of Global Issues, with a contribution from [] Regional East/West Economics Branch, East European Division, Office of European Analysis. Comments may be directed to [] Chief, Strategic Resources Division, OGI, []

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Eastern Europe: Record 1984 Grain Production

Grain Production

Barring unfavorable weather during the remainder of the harvest season, we now estimate that East European grain production will reach a record 103.9 million tons or more.¹ Although a crop of this size will be the region's third consecutive good harvest, it will nevertheless fall below the total amount planned by the individual countries--117 million tons. This year's harvest includes above-average² or record production in the three northern countries,³ with production in the southern countries ranging from a record in Yugoslavia to below average in Romania. [redacted]

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Southern Countries

We expect Romania's 1984 grain production to reach only 18.1 million tons, well below the 29-million-ton plan, and only a slight improvement over last year's poor crop, of about 17.6 million tons.⁴ Although press and broadcast information on sown areas has been conflicting and inexact, we believe that both winter and spring grain hectarages fell below targets. Moreover, press accounts mentioned that 200,000 hectares or about seven percent of the winter grains were resown, compared to one or two

¹ Our estimate of Eastern Europe's grain production is based on official reports, analysis of Landsat and reconnaissance satellite imagery, US Air Force weather data, and press and attache reporting. [redacted]

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² Throughout this text the term "average production" refers to that achieved during the 1978-82 period, unless otherwise noted. [redacted]

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³ The northern countries are Czechoslovakia, Poland, and East Germany. The southern countries are Romania, Bulgaria, Hungary, and Yugoslavia. We discuss the two groups separately because they differ in climatic conditions, crops, and degree of self-sufficiency in grain production. [redacted]

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⁴ We believe that official Romanian grain production statistics for 1981 and 1982 were overstated, as was the announcement that the 1983 crop reached "almost 20 million tons." This year President Ceausescu has already stated that small grain (wheat, rye, barley, oats) output was a record--over 10 million tons--despite unfavorable growing conditions that, in our view, preclude production above 8 million tons. [redacted]

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percent historically. Romania experienced several other problems throughout the year:

- o Winter grains suffered a fall drought followed by excessive March rains, promoting weed infestation. Hail damage also contributed to below-average yields.
- o Planting delays and bouts of hot, dry weather in July kept corn yields at about average levels. [REDACTED]

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Despite plans to harvest over 10 million tons of grain this year, Bulgaria's output is likely to reach only 8.2 million tons, an improvement from our estimate⁵ of last year's below-average crop. Announced hectareage figures have been sketchy, and we estimate that sown areas did not reach planned levels because weather interfered with spring planting. Winter grains were moderately damaged from fall and winter drought and excess early spring rainfall. Yields may also have been reduced by hot, dry weather in May and June which accelerated many crops through their flowering and ripening stages. Spring grains, primarily corn, were also hurt by weather extremes. Cold temperatures and excess soil moisture hampered planting efforts, and satellite imagery of July and August shows that stress from the dry summer cut yields in much of the country. [REDACTED]

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Although Hungary's 1984 grain production will fall below the 15.0-million-ton plan, we believe output could reach 14.2 million tons, the second largest harvest ever. Total hectareage came close to planned amounts, even though some winter grains--mostly wheat--had to be reseeded because of early season drought damage. June Landsat imagery confirmed that improved soil moisture levels and cool temperatures had allowed crops to recover substantially by flowering, the most critical point in the grain plant's life cycle. Harvesting was aided by dry weather during July and early August, and the Hungarian press reported during those months that wheat, rye, and barley yields were just below 1983's high levels. The outlook for Hungary's corn crop is not as bright. Early plant growth was delayed by cold, dry weather and parts of the country were hit by hot, dry weather in July, August, and early September. Good-to-excellent yields are still likely in many areas; farms in the hard-hit central regions, however, have begun cutting corn for silage, thus dimming prospects for above-average corn production. [REDACTED]

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We expect Yugoslavia to harvest 17.7 million tons of grain, topping the record 17.4-million-ton crop of 1982, and providing the third successive good harvest. Favorable weather during the

⁵ Although official Bulgarian statistics place the 1983 crop at 8.0 million tons, we believe that the severe drought cut production to about 7.7 million tons. The US embassy in Sofia commented that the Bulgarian figure included wheat and barley yields somewhat higher than conditions warranted. [REDACTED]

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summer further improved winter and spring grains that had already developed well. Although winter wheat plantings were down last fall because of unattractive procurement prices, record yields were reported in some key-producing areas as the harvest neared completion in August. In response to the high prices offered for corn, farmers planted the largest area to this crop in many years. Satellite imagery indicates that profuse growth this summer has given the corn crop a chance to exceed 1982's record output if fall weather remains favorable. [REDACTED]

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Northern Countries

Czechoslovakia's above-average harvest of 10.5 million tons will fail to match last year's record crop and the 11.0-million-ton goal. We estimate that grain hectareage fell below average levels, especially since a late July press account stated that five percent of the winter grains had been plowed under after drought damage earlier in the season. Landsat imagery confirms that abundant May rainfall--150 percent of normal amounts--restored good crop vigor to the remaining winter grains by flowering time, and the chief spring grain, barley, benefitted from the improved soil moisture. Czechoslovakia's problems were not over, however:

- o The key corn region, western Slovakia, suffered from inadequate soil moisture that reduced yields slightly.
- o Satellite imagery confirmed press reports that storms and rainfall during July and August, along with widespread lodging,⁶ kept the harvest from making headway until late August, thus reducing yields. [REDACTED]

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We expect Poland to harvest a record 23.7 million tons of grain this year, surpassing the 22.2-million-ton plan. The sown area exceeded average levels, and farmers were able to plant a larger share of higher-yielding winter grains, notably wheat. After a bout of dry weather in early spring, winter grain prospects revived as the country received abundant rainfall during May and June. Both winter and spring grainfields displayed dense, even growth on satellite imagery, and the resulting light lodging indicated good yields. The harvest began in mid-July, about three weeks later than usual, as cool temperatures delayed ripening. August press accounts indicate that the campaign was completed rapidly in the central and eastern provinces. Delays due to wetness and lodging in the west were offset by dry weather at the end of the month, and increased

⁶ Lodging is a condition which results when, because of rain and wind, grain stalks bend or break and form a flattened or tangled mass that is difficult to harvest. It generally occurs during the later stages of crop development--when grains are tallest and weighted down with mature heads--and when plant growth has been especially lush. [REDACTED]

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use of machinery allowed farmers to largely complete the harvest by early September. []

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President Honecker announced in early October that East Germany's 1984 grain output had reached a record 11.5 million tons, surpassing the 10.5-million-ton plan. Although the sown area remained at the average level and some dry periods occurred last fall and this spring, satellite imagery showed that abundant May and June rainfall promoted vigorous, even growth for both winter and spring grains. Although heavily lodged grainfields posed difficulties for combines and rain frequently interrupted the harvest campaign, a change to dry, sunny weather during mid-to-late August allowed farmers to virtually complete operations by early September. []

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Grain Trade Outlook

Another good harvest and continuing concern about indebtedness to the West are likely to keep Eastern Europe's⁷ grain imports at the low levels of recent years, while grain exports will be helped by higher production in the southern countries. Our trade estimates for marketing year (MY) 84/85⁸ are based on our production estimates, an assessment of each country's ability to finance imports, and projected grain requirements. We believe that Eastern Europe's grain imports will range from 7.1 to 8.5 million tons, while grain exports will increase to 5.0 - 5.6 million tons. In our view, any deterioration in harvest prospects would increase imports, because the "fat" has already been cut out of consumption and credits for grain purchases are more readily available for most countries than in 1981-83. We see little prospect for the US to increase grain exports to Eastern Europe unless more competitive credit terms and prices are offered. Good harvests will limit the amount of grain that East European regimes seek to import, and other countries, such as Canada and Austria, have provided government-backed credits for grain deals. The United States, in contrast, continues to deny Commodity Credit Corporation (CCC) credits to Poland, the biggest user of such funds in the past, and has responded only partially to recent CCC financing requests from Hungary and Yugoslavia. []

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The North--Restraining Imports. With another record output

⁷ While the northern countries are net grain importers and account for the bulk of grain sales to Eastern Europe, the southern countries, as a group, are net grain exporters. Only Hungary, however, is a consistent net exporter, while Romania, Bulgaria, and Yugoslavia import and export varying amounts of grain from year to year as production fluctuates. []

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⁸ 1 July to 30 June. []

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this year, the northern countries' grain imports are expected to range from 6.2 to 7.2 million tons, about the same as or slightly lower than last year's level. As scarce hard currency must be allotted among competing import needs, these regimes will continue to try to support livestock herds on domestic grain and fodder as much as they can. We expect Polish grain imports to reach only 2.9 to 3.3 million tons in MY 84/85, because of the record harvest, continued financial difficulties, and slowness in rebuilding the hog inventory. Poland has already purchased over 80,000 tons of US corn and in a recently concluded grain exchange deal with Moscow, Warsaw is to import 350,000 tons of wheat from the Soviet Union in return for 400,000 tons of rye. East Germany's stronger financial position, resulting from its credits with West Germany and good lending prospects with Western banks, should allow it to import 2.7 to 3.2 million tons with little difficulty. Much of this amount will be covered by long-term grain agreements with Canada and Austria, for 1 million and 350,000 tons, respectively, mostly barley in substitution for US corn. In July, however, East Germany did buy 200,000 tons of US corn. We expect Czechoslovakia to increase its grain imports to 600 - 700,000 tons, since grain production will be lower than last year's record. These sales will come largely from its East European neighbors, and the country could raise loans, if needed, for the remainder because of its good credit rating. Czechoslovakia has long-term grain agreements with Hungary for 100,000 tons of wheat and Romania for 100,000 tons of corn, and is expected to import corn from Yugoslavia, for cash and in barter deals. [redacted]

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The South--Export Recovery. Recovery from the 1983 drought should enable the southern countries to increase grain exports for hard currency. The region's exports are estimated at 4.3 to 4.9 million tons for MY 84/85, while imports will range from 0.9 to 1.3 million tons.

- o Romania will continue to leave domestic needs unsatisfied in order to push exports, which will range from 1.3 to 1.4 million tons, mostly corn. This year's improved crop will allow a cut in imports, which are expected to fall to 400,000 to 500,000 tons of wheat and corn. Romania will seek barter deals whenever possible because credit will remain difficult to find.
- o Bulgaria, in contrast, should be able to obtain credit for its lower import needs this year--300,000 to 400,000 tons, chiefly corn. Better 1984 crops will also allow Bulgaria to regain its position as a marginal grain exporter, selling 500,000 to 650,000 tons, mostly wheat.
- o Hungary should increase grain exports to 1.5 to 1.6 million tons, largely wheat, while imports remain at the usual 100,000-to-200,000-ton level.
- o A record harvest for Yugoslavia will enable it to maintain grain exports, largely corn, at 1.0 to 1.2 million tons, while grain imports, primarily wheat, are expected to fall to between 100,000 to 200,000 tons. [redacted]

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Implications for Food Supplies

Despite this year's record grain harvest, we see little prospect for significant improvement in Eastern Europe's food supplies,⁹ which will remain to a large extent dependent on foreign trade. The region's debt problems have eased only slightly, with Poland and Romania having worse borrowing prospects than the other countries. Western banks and East European leaders are also cautious about expanding the use of credit for imports. Supplies of livestock products, vegetable oils, as well as citrus, coffee, and chocolate, will remain limited. The need to improve trade balances will keep imported semi-luxury foods scarce, and will encourage export of livestock and better quality meats. We believe that food price hikes, long lines, selective rationing in Poland and Romania, and local spot shortages in the other countries will not end. [redacted]

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Over the past years regimes have pledged to move toward self-sufficiency in grain production and to support livestock herds from domestic feed resources. These goals, however, generally have not been attained, even with favorable growing conditions. While good weather can boost grain production in any one year, we believe sustained major growth in output will remain elusive. Many unsolved problems, enumerated in press articles [redacted] stand in the way. Farmland area is limited and has generally been on the decline because of urban and industrial growth. Investment funds, which could promote irrigation, drainage, and erosion control are scarce and have been used inefficiently in the past. Industrial production of fertilizer, herbicides, pesticides, and other farm inputs lags behind demand. Attempts by the regimes to boost farm productivity through incentives, such as higher procurement prices for crops and improved living conditions in rural areas, have generally failed in the past because the incentives have not been applied in a sustained, systematic manner. Without significant boosts in grain output, Eastern Europe's livestock sector growth will continue to be limited by the size of grain and feed imports. [redacted]

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We expect Poland and Romania to remain worse off than the other countries in regard to meat supplies and credit prospects. Despite another good harvest this year, Poland's low imports of grain and high protein feed supplements will restrain the slow buildup of hog and poultry inventories, while cattle and meat exports continue. In Romania, where the 1984 harvest is not

⁹ Eastern Europe's food problem centers on the quality and variety of the diet, not on failure to meet nutritional requirements. Shortages of quality consumer durables give food, especially meat, added importance when East Europeans measure their living standards. [redacted]

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promising, consumers will continue to face bread lines and poor meat supplies while grain and meat are exported. [REDACTED]

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Financial difficulties have eased for the other countries and we expect them to find sufficient credit to prevent grain shortfalls from jeopardizing food supplies. Hungary will attempt to improve its leading position as a net grain exporter without shortchanging its population, although domestic food prices are expected to increase. In Yugoslavia the state's low procurement prices have posed difficulties in buying grain from private farmers, despite a bumper harvest. The resulting feed shortages for the socialized livestock sector have led to forced slaughterings and meat shortages. Consumers will continue to face price hikes for flour, bread, and meat as the government seeks to foster increased production and sales to the state. East Germany, Czechoslovakia, and Bulgaria will endure lesser problems of spot shortages and high prices. [REDACTED]

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The regimes of Eastern Europe, aside from Poland, have so far largely escaped political fallout from food supply problems. Good harvests in most countries in recent years have allowed governments to hold imports down without pressing consumers too far. Even Romania's severe problems have not resulted in unrest on the scale of Poland's. On the other hand, many East European regimes will continue to face low worker morale and productivity problems as promises of consumer gains slip further from realization. If serious crop shortfalls do occur and sudden sharp price rises or tighter rationing promote unrest, we believe that most East European leaders would quickly shift food to specific problem areas and resort to increased imports to stem disorders. [REDACTED]

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Table 1

Eastern Europe: Grain Production^a

	(Million Metric Tons)							
	1978-82 Average	1978	1979	1980	1981	1982	1983	1984 ^b
Eastern Europe	95.5	96.2	90.9	96.3	92.2	102.1	99.5	103.9
Southern Countries	56.4	54.0	55.5	54.7	54.2	60.6	56.3	58.2
Romania	19.1	19.0	19.3	20.2	17.5 ^b	19.7 ^b	17.6 ^b	18.1
Bulgaria	8.2	7.7	8.5	7.8	8.6	8.6 ^b	7.7 ^b	8.2
Hungary	13.5	13.4	12.1	14.0	12.9	14.9	13.8	14.2
Yugoslavia	15.6	13.9	15.6	15.7	15.2	17.4	17.2	17.7
Northern Countries	39.1	42.2	35.4	38.6	38.0	41.5	43.2	45.7
Czechoslovakia	10.1	10.9	9.2	10.7	9.4	10.3	11.0	10.5
Poland	19.6	21.5	17.3	18.3	19.7	21.2	22.1	23.7
East Germany	9.4	9.8	8.9	9.6	8.9	10.0	10.1	11.5

^a Grains include wheat, rye, barley, oats, corn, mixed grains; in the southern countries rice is also included; in Bulgaria, legumes. Romania and Poland report grain production by combine bunker weight, which includes foreign matter and excess moisture. The other countries have varying standards of cleaning and drying grain. []

^b [] Announced production by Romania for 1981 and Bulgaria for 1982 and 1983 was much higher than crop conditions during those years seemed to indicate. Romania did not announce exact production for 1983. []

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Table 2

Eastern Europe: Grain Area

Thousand Hectares

	1978-82 Average	1983	1984 Plan	1984 Sown
Eastern Europe	28,860	28,580	29,300	28,600
Southern Countries	15,810	15,350	16,010	15,370
Romania	6,320	5,790	6,290 ^a	5,970 ^a
Bulgaria	2,280	2,300	2,200 ^a	2,150 ^a
Hungary	2,880	2,880	2,980	2,900
Yugoslavia	4,330	4,380	4,540 ^a	4,350
Northern Countries	13,050	13,230	13,290	13,230
Czechoslovakia	2,630	2,580	2,520	2,530 ^a
Poland	7,910	8,110	8,200	8,180 ^a
East Germany	2,510	2,540	2,570	2,520

^a [] These countries have not announced complete information on 1984 planned or actual sown areas. []

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Table 3

Eastern Europe: Grain Imports^a

	Million Metric Tons					
	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85^b</u>
Eastern Europe	17.50	15.66	12.36	7.80	8.50	7.1 - 8.5
Southern Countries	3.86	3.82	3.53	0.95	1.38	0.9 - 1.3
Romania	1.63	2.15	1.18	0.32	0.51	0.4 - 0.5
Bulgaria	0.82	0.85	0.72	0.33	0.50	0.3 - 0.4
Hungary	0.14	0.15	0.18	0.12	0.08	0.1 - 0.2
Yugoslavia	1.27	0.67	1.45	0.18	0.29	0.1 - 0.2
Northern Countries	13.64	11.84	8.83	6.85	7.12	6.2 - 7.2
Poland	7.75	8.16	4.71	4.00	3.37	2.9 - 3.3
Czechoslovakia	1.87	0.67	1.37	0.65	0.60	0.6 - 0.7
East Germany	4.02	3.01	2.75	2.20	3.15	2.7 - 3.2

^a Marketing year 1 July to 30 June. Import data for all marketing years, except 1984/85, are from the Foreign Agricultural Service, USDA.

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^b estimate is based upon our projection of the countries' needs and ability to finance grain purchases.

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Table 4

Eastern Europe: Grain Exports^a

	Million Metric Tons					
	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85^b</u>
Eastern Europe	2.93	4.58	4.22	5.43	4.70	4.99 - 5.62
Southern Countries	3.54	4.11	3.82	5.03	4.11	4.30 - 4.85
Romania	1.25	1.75	1.70	1.75	1.20	1.30 - 1.40
Bulgaria	0.60	0.40	0.79	1.10	0.05	0.50 - 0.65
Hungary	0.49	1.55	1.05	1.18	1.56	1.50 - 1.60
Yugoslavia	0.20	0.41	0.28	1.00	1.30	1.00 - 1.20
Northern Countries	0.39	0.47	0.40	0.40	0.59	0.69 - 0.77
Poland	0	0.06	0.02	0.03	0.25	0.40 - 0.42
Czechoslovakia	0.01	0.04	0.05	0.05	0.05	0.04 - 0.05
East Germany	0.38	0.37	0.33	0.32	0.29	0.25 - 0.30

^a Marketing year 1 July to 30 June. Export data for all marketing years, except 1984/85 are from the Foreign Agricultural Service, USDA.

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^b estimate.

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